Council Policy

CP2.14| Risk Management

Policy Objective

The objective of the Council's Risk Management Policy is to embed risk management practices into the City of Perth's ("the City") processes and to foster a culture where risk is an enabler of informed decision making and contributes to the achievement of core strategic and operational goals. The City is working to implement accepted standards and guidelines for managing risks, in particular the *AS/NZS ISO 31000:2018 Risk Management* standard.

Policy Scope

This policy applies to all City workers (including staff, contractors, and volunteers), Elected Members, and Committee Members.

Policy Statement

1. Definitions

1.1. **Risk:** Effect of uncertainty on objectives.

1.2. **Risk Management:** Coordinated activities to direct and control an organisation with regard to risk.

1.3. **Risk Appetite:** The amount of risk an entity is willing to accept or retain in order to achieve its objective(s).

1.4. **Risk Tolerance:** Organisation's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives.

1.5. **Risk Owner:** Person or entity with the accountability and authority to manage a risk.

Note: Above definitions are sourced from *ISO Guide 73:2009(en) Risk management – Vocabulary.*

1.6. **Executive Sponsor:** Responsible party for championing the risk, including advocating, and securing support from cross-functional business units, while offering input to ensure allocated risks are managed in line with the City's risk management approach.

1.7. **Risk Governance:** The structure and processes used by the City to oversee risk management activities.

1.8. **Worker:** A person is a worker if the person carries out work in any capacity for a person conducting a business or undertaking (at or within the City), including work as an employee, contractor, subcontractor, a student gaining work experience or a volunteer (*WHS Act 2020, Part 1, Div. 4, s.8*).

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2. Alignment with the City's Planning

2.1. The City has an integrated approach to strategic planning, including long and medium-term plans. The alignment of the City's strategic and operational risk planning is illustrated in the figure below:
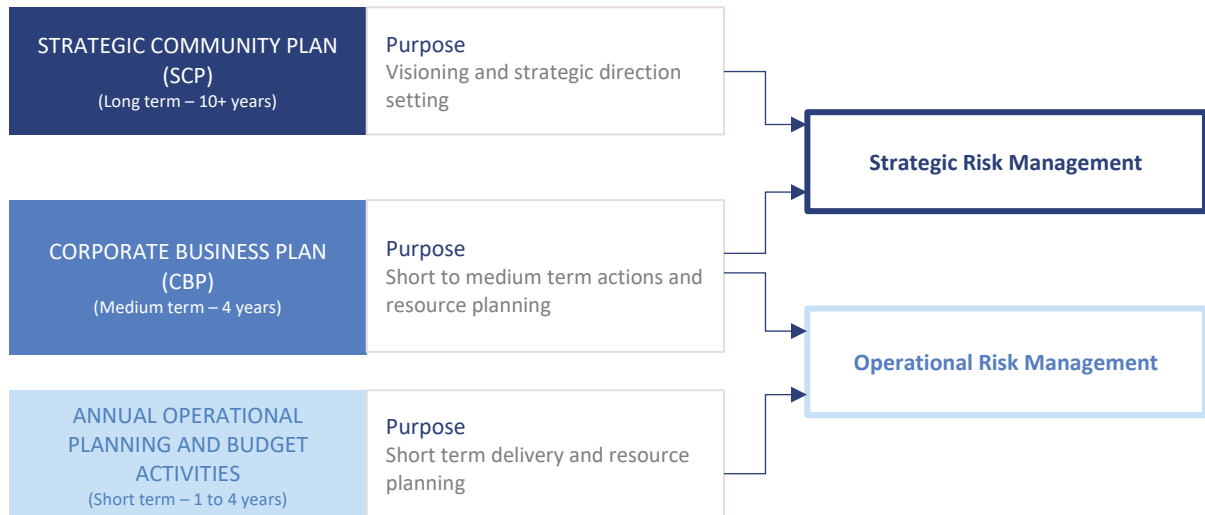

Figure 1: Illustrates alignment between planning and risk management.

3. Risk Governance

3.1. The Council is committed to the City's risk management approach, including oversight, providing a governing policy with risk appetite statements, and developing a risk culture that focuses on continuous improvement across the organisation.

3.2. The CEO is the Executive Sponsor of the City's Risk Management systems and is responsible for providing oversight of the appropriateness and effectiveness of chosen risk management processes, internal controls, and legislative compliance in accordance with *Regulation 17 of the Local Government (Audit) Regulations 1996.*

3.3. All workers, at all levels of the organisation, have a responsibility to maintain awareness and functional knowledge of risk policies, procedures, compliance, and reporting obligations. Those in leadership roles must consider and manage the risks associated with their remit.

4. Risk Appetite

4.1. Clearly articulated risk appetite statements are fundamental to the City's approach to risk management. Risk appetite statements describe the amount of risk the Council is willing to accept and guides the City's decision-making to achieve the optimal balance between risk and return.

4.2. In developing the risk appetite statements, the interests of the City's stakeholders – ratepayers, regulators, key service providers, Council members, and workers – were considered. The risk appetite statements provide stakeholders with a reference point to benchmark the City's risk acceptance and mitigation activities.

4.3. The risk appetite statement must be taken into consideration as part of the planning process and used to ensure risk-taking activities are within the Council approved thresholds. These thresholds are designated across four (4) ratings:

Very Low (Minimal Appetite)	Preference for the safest option that has a very low degree of risk, noting that every reasonable practical measure will be taken to prevent the occurrence of an adverse event.
Low (Cautious Appetite)	Safe options that have a low degree of risk with limited potential for reward.
Moderate (Flexible Appetite)	Willing to consider all potential options and choose the one most likely to result in successful delivery, even if there is risk to strategic and operational objectives.
High (Open Appetite)	Will consider options offering higher success of delivery, despite elevated levels of inherent risk.

5. Risk Appetite Statements

The Council expresses its risk appetite across ten (10) key risk categories, with each graded using the above ratings. The below table sets out the approved risk categories, appetite ratings, appetite statements, what the Council will not tolerate, as well as linkage to the current strategic risks.

Risk Category	Appetite Rating	Appetite Statement	Council will not tolerate
Health and Safety	VERY LOW	Council has a VERY LOW appetite for unforeseen incidents and/or injuries that may arise from undertaking daily activities. Council is committed to a healthy and safe work environment.	• Behaviours that are deliberate and willingly disregard the City's values and WHS policies and procedures. • Practices that knowingly compromise staff wellbeing, workplace, or community safety. • Activities and unsafe work environments that result in reasonably foreseeable and preventable fatalities, harm, serious injuries, or illnesses to the community and/or workers.
Fraud and Misconduct	VERY LOW	Council has a VERY LOW appetite for fraud and misconduct risks, and any breaches in legislation, regulation, professional standards, or bribery. Council is committed to good governance.	• Corrupt or fraudulent conduct by Councillors and/or workers. • Systemic failure to maintain or implement effective systems, processes and controls which adequately protect the City from fraudulent activity. • Deliberate failure to comply with legal obligations (Government Directions or orders) or a reckless breach of policies including the relevant Code of Conduct. • Deliberate unauthorised release of confidential information. • Remediation of incidents and breaches that are not completed within agreed timeframes.
Financial	LOW	Council has a LOW appetite for poor financial decision-making and significant loss of discretionary revenue. Council is committed to a competitive, efficient, and financially sustainable organisation.	• Inadequate spend and resource planning (short term and longer-term outlook). • Short term procurement in lieu of longer term planned procurement that focuses on value for money and price certainty. • Significant foreseeable variations in project expenditure, including contract price due to aspects of the project within the City's control. • Non-diversified funding sources.
Reputation and External Stakeholders	LOW	Council has a LOW appetite for intentional activities and behaviours that result in damaged relationships and misaligned priorities. Council expects open, honest, and transparent engagement with key interest groups.	• Decision-making that is not open, honest, and transparent and does not align with the City's Strategic Community Plan. • Lack of consultation / engagement with key interest groups and stakeholders. • Actions by Councillors or workers bringing the Council into disrepute.
Environmental	LOW	Council has a LOW appetite for activities that lead to environmental degradation and/or that opposes the City's sustainability goals. Council is committed to ensuring a climate-focused city that is transitioning to a low emissions and renewable energy future.	• Failure to support and embed the City's sustainability goals. • Reasonably foreseeable and preventable activities, within the City's control, that result in irreversible environmental damage, threatens biodiversity, including extinction of flora and fauna.
Information Security	LOW	Council has a LOW appetite for poor information security that exposes the City to cyber threats that could lead to loss of critical and/or personal data. Council expects all information is securely managed in accordance with the City's ICT Governance Framework.	• Wilful inappropriate distribution, or loss of sensitive or confidential information. • Intentional and systemic failure to plan and respond to common foreseeable cyber-attacks. • Foreseeable cyber security breaches that could have been prevented through technical and behavioural controls, within the City's control and resources constraints. • Deliberate and sustained failure to comply with the requirements of the State Records Act 2000.
Technology	MODERATE	Council has a MODERATE appetite for technology risks that cause major disruption to key service delivery, implementation of new and digital transformation changes in the effort to deliver on strategic outcomes. Council is committed to evolving the City's technological systems in an ever-changing environment.	• Behaviours that deliberately disregard the City's ICT Governance Framework. • Systemic failure to implement and maintain, with-in the City's control, the systems and services which adequately protects sensitive and confidential data and information. • Infrequent and incomplete testing of the City's Disaster Recovery Plan(s).
Workforce	MODERATE	Council has a MODERATE appetite for service delivery being disrupted or delayed as a result of people risks, which include workforce capability and capacity constraints. Council is committed to embedding strategies designed to ensure workforce continuity, flexibility, talent development, and the overall return on people investment.	• Failure to deliver on critical service delivery due to workforce capacity/capability constraints and/or systemic failures in employment processes.
Infrastructure and Assets	MODERATE	Council has a MODERATE appetite for poor asset renewal and replacement forecasting (spend and timing) and decision making across the City's enterprise-wide asset portfolio.	• Failure to complete annual and 10-year project planning. • Poor planning and prioritisation of asset renewal and replacement spending across the City (enterprise level). • Asset ratios (for sustainability, consumption, and funding) falling below best practice benchmarks. • Contributed assets being accepted by the City without adequate project governance, asset valuation information, and proper due diligence at asset handover.
Strategy	MODERATE	Council has a MODERATE appetite for unforeseen delays in strategic deliverables and/or major disruptions to critical business functions. Council is committed to the execution and embedment of the City's strategic and operational goals.	• Failure to demonstrate commitment to deliver services to our community and workers. • Failure to plan and respond to a major disruption ensuring continuity of critical business functions.

Document Control

Other relevant/related documents

Legislation:	*Regulation 17 of the Local Government (Audit) Regulations 1996*
City Policies:	NIL
City Procedures and Processes:	Risk Management Framework

Document responsibilities

Custodian:	Audit and Risk Manager	Custodian Unit:	Audit and Risk	Decision Maker:	Council

Review management

Next review due:	March 2025	Document Management Ref:	EDRMS-2035121629-600

Document management

Version	Decision reference	Synopsis of changes
1.0	OCM 31 August 2021	Approved by Council
2.0	OCM 28 March 2023	Approved by Council